

Chapter 13: Managing Fiscal Resources

Mary Lou Cariello

INTRODUCTION

The information contained in this chapter is presented to fulfill the requirements of the 1997 Everglades Oversight Act (Chapter 97-258, Laws of Florida) as they relate to the reporting of financial information for the Everglades Construction Project (ECP). The 1994 Everglades Forever Act (Act) requires the South Florida Water Management District (District) to provide, on an annual basis, a comparison of actual versus projected revenues, and a projection of costs and revenues over the succeeding five-year period (**Figures 13-1** through **13-4**.)

The Act directed the District to separately account for all monies used to fund the ECP. In November 1996, the citizens of Florida voted in favor of a constitutionally created Everglades Trust Fund. The legislation passed in 1997 (Chapter 97-258, Laws of Florida) references the Everglades Trust Fund and requires specific identified funds to be placed in it. This fund, which strengthened Everglades oversight, will be used to account for all revenues and expenses associated with the ECP. The District has developed a format for reporting financial information for the Everglades Trust Fund in a clear and concise manner. The Joint Legislative Committee on Everglades Oversight has approved the format the District uses when submitting its quarterly expenditure reports to the Governor, the Legislature, and the public. (The “Everglades Trust Fund Quarterly Report of Expenditures” is accessible through the District’s website at <http://www.sfwmd.gov/org/bud/ecp/qtrly/ecpqtrly.html>). Multiple funding sources are contemplated for the Everglades Program.

A dedicated funding source is essential to conduct Everglades and Florida Bay protection and restoration programs. The ECP is one of the largest public works projects in the nation for environmental restoration, estimated to cost approximately \$827 million over 20 years (Everglades Construction Project - Financial Schedules, September 2000). Restoration activities for Florida Bay will require more than \$367 million through estimated completion in 2004 (Modified Water Deliveries to Everglades National Park and C-111 Project Cost and Schedule Comparison, U.S. Army Corps of Engineers, July 1999.)

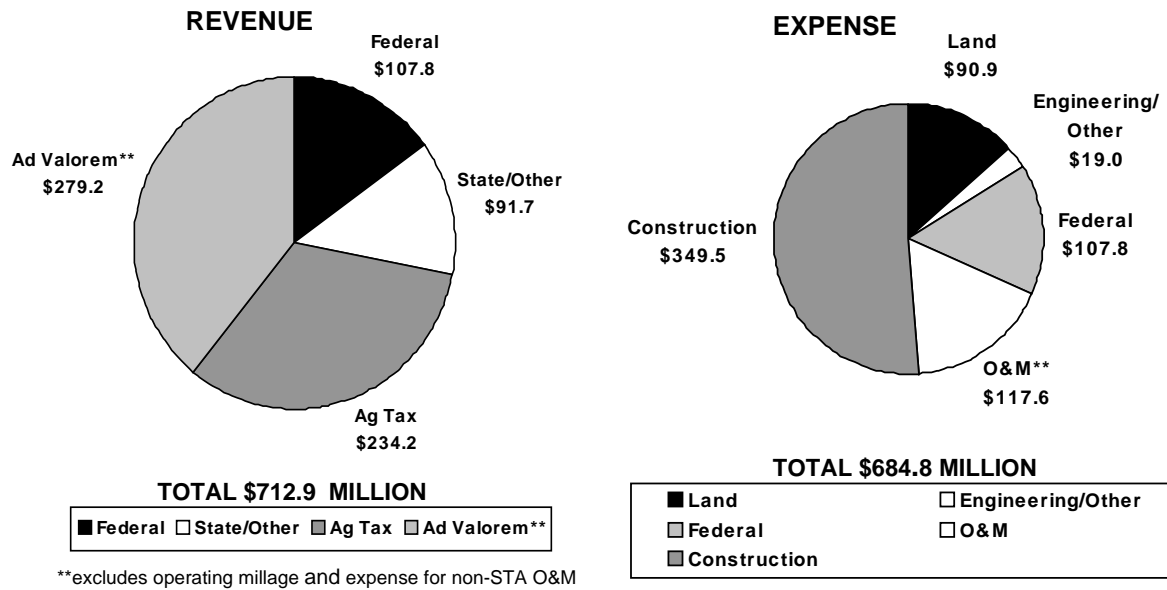
ORIGINAL PROJECT ESTIMATES - 1994

Figure 13-1. Original (1994) projected estimates for the Everglades Construction Project.

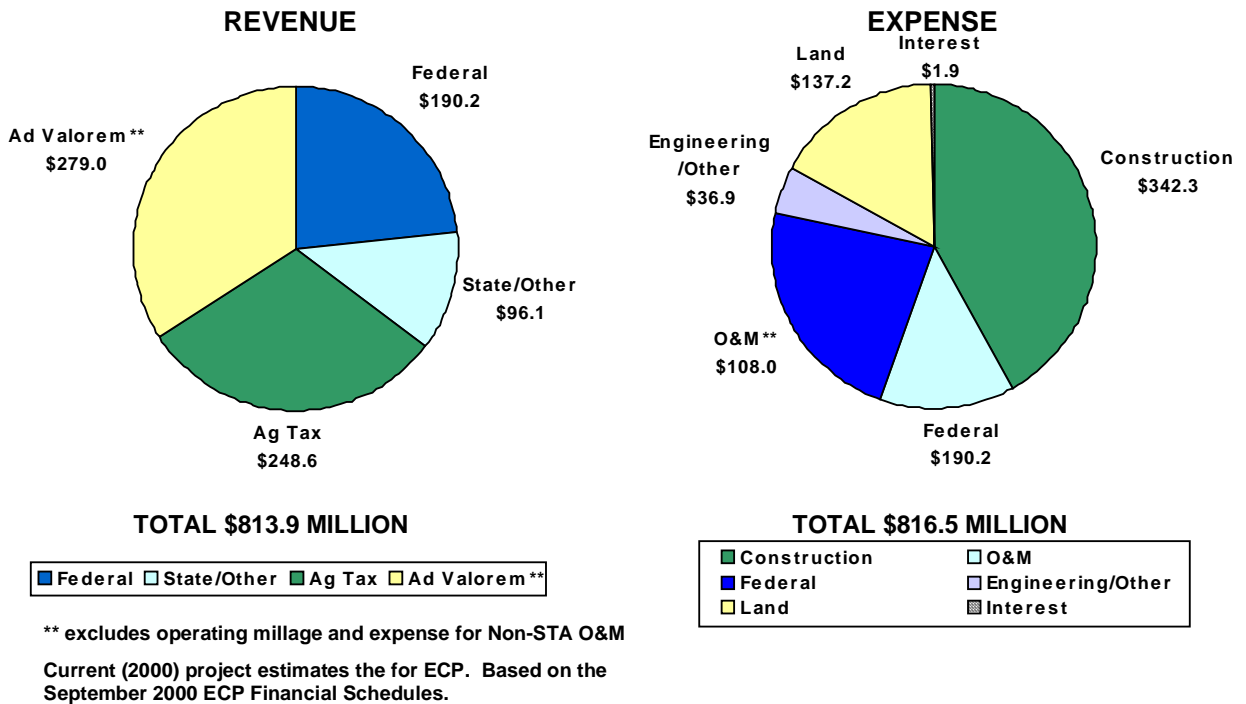
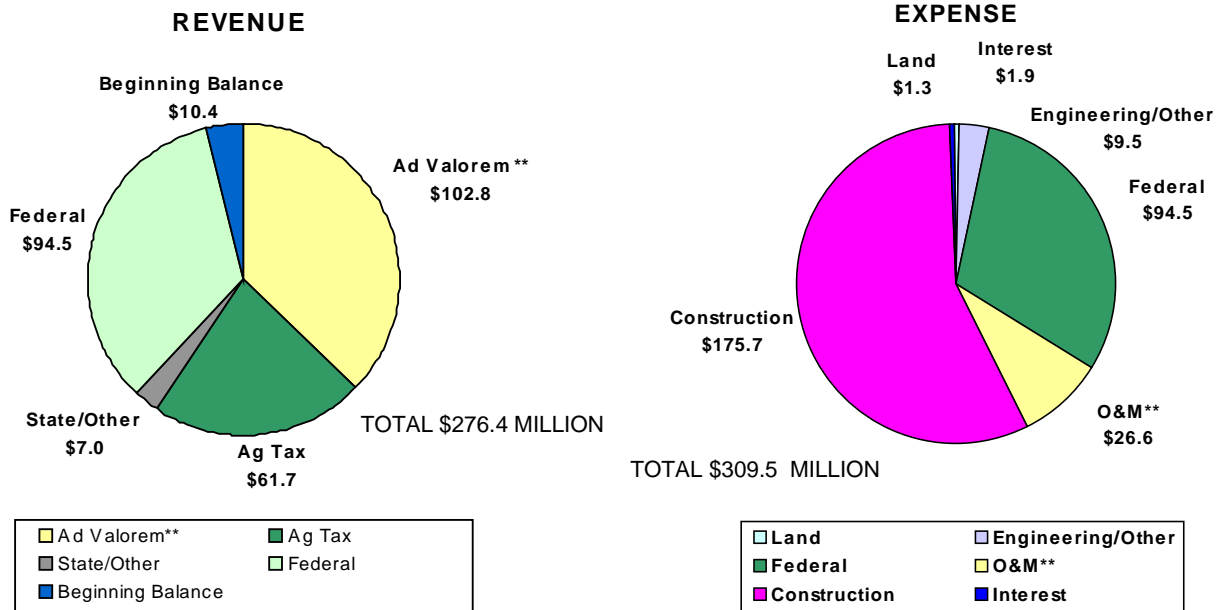
CURRENT PROJECT ESTIMATES - 2000

Figure 13-2. Current (2000) project estimates for the Everglades Construction Project.

FIVE YEAR PROJECT ESTIMATES OCT. 1, 2000 to SEPT. 30, 2005



** excludes operating millage and expense for Non--STA O&M
Projected Revenues are net of collection cost

Figure 13-3. Five-year (Oct. 1, 2000, through Sept. 30, 2005) project estimates for the Everglades Construction Project.

Actual vs. Projected Revenue Through September 30, 2000 for the Everglades Construction Project

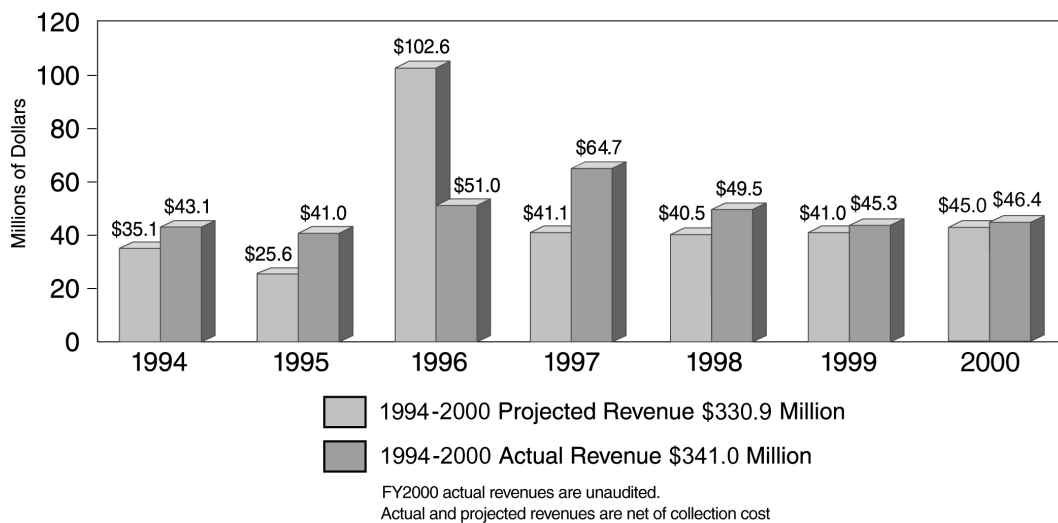


Figure 13-4. Actual vs. projected revenues through Sept. 30, 2000.

AD VALOREM TAXES PROVIDE AT \$29.6 MILLION IN FY2000

The Act gives the District the authority to levy *ad valorem* taxes of up to 0.1 mill within the Okeechobee basin for land acquisition, design and construction of the ECP. As required by the Act, this will be the sole direct contribution of *ad valorem* taxes for the construction project. For Fiscal Year 2000 (FY2000), *ad valorem* tax revenues were approximately \$29.6 million (unaudited). A total of \$279 million in *ad valorem* tax revenue (approximately 34.3 percent of total revenues) is projected to be collected through FY2004 to fund the ECP. The other funding sources designated by the Act for the ECP include agricultural privilege taxes, state land funds, federal funds, excess revenues from Alligator Alley tolls, other environmental mitigation funds, and any additional funds that become available for this purpose from any other source.

EAA AGRICULTURAL PRIVILEGE TAX RAISES \$12.1 MILLION IN FY2000

To fund the first phase of the Everglades restoration program, the Act imposes an annual tax for the privilege of conducting an agricultural trade or business within the Everglades Agricultural Area (EAA) and C-139 basins. The Act specifies that the annual per acre tax be collected through the normal county tax collection process.

The EAA agricultural privilege tax rate ranges from a minimum of \$24.89 per acre from 1994 to 1997 to a potential maximum of \$35 per acre from 2006 to 2013. Actual EAA agricultural privilege taxes collected in FY2000 were approximately \$12.1 million (unaudited). After the year 2013, the tax rate will decrease to \$10 per acre to fund the operations and maintenance of the Stormwater Treatment Areas (STAs).

The amount of taxes collected each year is reduced by early payment discounts provided by each county. These discounts can range from 1 to 4 percent, depending on the timeliness of the payment. County processing/collection fees and commissions further reduce the amount of revenue available to fund the ECP.

The Act encourages optimal performance of Best Management Practices (BMPs) (Chapter 5) to maximize the reduction of phosphorus loads at points of discharge from the EAA by providing an incentive credit against the Everglades agricultural privilege tax. Each percentage point by which phosphorus loads are reduced, beyond the 25 percent EAA basin requirement, will result in incentive credits against the EAA agricultural privilege tax as follows: \$0.54 per acre for tax notices mailed from November 1998 through November 2001; \$0.61 per acre for tax notices mailed from November 2002 through November 2005; and \$0.65 per acre for tax notices mailed in November 2006 through November 2013. Incentive credits will not reduce the agricultural privilege tax rate to less than the \$24.89 per acre minimum ("minimum tax"). The Act also provides incentive credits to individual growers for meeting phosphorus load or phosphorus concentration reduction targets. Individual parcels of property shall be subject to the minimum tax if they have achieved the following annual phosphorus load reduction standards: 35 percent or more for tax notices mailed from November 1998 through November 2001; 40 percent or more for tax notices mailed from November 2002 through November 2005; and 45 percent or more for tax notices mailed from November 2006 through November 2013. In addition, any parcel of property that achieves a

phosphorus concentration of 50 parts per billion (ppb) shall be subject to the minimum tax in the next calendar year.

EAA VEGETABLE ACREAGE

The Act recognizes that vegetable farming is subject to both volatile market conditions and to crop loss from natural events. If the Governor, President, or U.S. Department of Agriculture declares a state of emergency or disaster due to natural conditions, payment of agricultural privilege tax will be deferred one year. Since 1994, when the tax went into effect, this provision has been applied once, in 1997.

C-139 BASIN AGRICULTURAL PRIVILEGE TAX RAISES \$632,394 IN FY2000

As specified in the Act, for the 20-year period between 1994 and 2013 the total amount of tax to be assessed annually will not exceed \$654,656. Beginning in 2014, the tax will be assessed at the rate of \$1.80 per acre. The C-139 basin agricultural privilege taxes collected were \$632,394 (unaudited) in FY2000. The amount paid by an individual property owner may change from year-to-year, depending on the number of acres within the C-139 basin classified as agricultural.

ALLIGATOR ALLEY TOLL REVENUES COULD PROVIDE \$63 MILLION

The Act includes the legislative finding that Alligator Alley, designated as State Highway 84 and U.S. Interstate Highway 75, contributed to the alteration of water flows in the Everglades and affected ecological patterns of the historic Southern Everglades. The Legislature determined that it is in the public interest to establish a system of tolls for Alligator Alley to raise money to help restore the natural values lost by the highway's construction.

Toll revenues must be split equally between the Everglades and Florida Bay restoration projects. Projects that qualify for these funds include the ECP; land acquisition to move STA-3/4 out of the Toe-of-the-Boot (an Everglades remnant area in the Holeyland Tract at the south end of the EAA); water conveyance projects that enable more water resources to reach Florida Bay; engineering design plans for wastewater treatment facilities for Florida Bay marine waters; and highway redesign to improve sheetflow of water across the southern Everglades.

In 1996, the District and Florida Department of Transportation received federal authorization to redirect the use of Alligator Alley tolls for these projects. The Department of Transportation and District entered into a Memorandum of Understanding in 1997 setting out the basis for depositing the funds in the Everglades Trust Fund. This was quickly followed by the transfer and deposit of \$17 million in excess toll money representing the first transfer. These funds were allocated based on the Act requirements. As such, these funds were split equally, at \$8.5 million each, between the Everglades construction and Florida Bay projects. From FY1998 through FY2000, a total of \$6,125,000 was received from the Florida Department of Transportation, which was also split equally between both projects.

PROJECT ESTIMATES AND CASH FLOW UPDATED FOR THE EVERGLADES CONSTRUCTION PROJECT

Project estimates and cash flow underwent further review, validation, and updating in FY2000. Current cash flow estimates reflect projected cash deficits for FY2002 through FY2006 at the conclusion of the construction period. Funds borrowed to make up these deficits could be paid back from projected cash balances generated during the operations and maintenance period, beginning in FY2007 through FY2014 (more ECP financial information can be obtained through the “Everglades Construction Project Financial Schedules,” which are accessible through the South Florida Water Management District’s website at http://www.sfwmd.gov/org/erd/ecp/3_finschd.html).

Current estimates reflect recent settlements on land acquisition that exceeded budgeted amounts, as well as construction estimate adjustments based on schedule optimization and refinements to previous cost estimates. In addition, as construction contracts have been awarded, actual contract-information has replaced both cost and construction period estimates. The current estimates reflect the construction period through FY06 for some project components that do not affect STA startup dates or statutory completion dates.

AMENDMENT 5

Another constitutional amendment, which passed in November 1996, also involves a funding issue. Amendment 5 makes those in the Everglades Agricultural Area who cause water pollution in the EAA and the Everglades Protection Area primarily responsible for paying the costs of abating that pollution. In an advisory opinion to the Governor, the Florida Supreme Court in 1997 interpreted this to mean that those who are responsible for pollution in the EAA must pay “their share of the costs of abating the pollution attributable to them,” and that “primarily responsible” should not be given limited meanings such as “entirely” or “substantially” or “more than half.” The Court also concluded “the voters expected the Legislature to enact supplementary legislation to make [Amendment 5] effective.”

Amendment 5 was the basis of a taxpayer challenge in *Barley versus SFWMD*. In October 1998, 9th Circuit Court Judge Lawrence Kirkwood dismissed the case, agreeing with the Florida Supreme Court Advisory opinion that Amendment 5 was consistent with the Act and that it was not self-executing.

FEDERAL GOVERNMENT TO PROVIDE FUNDING

The Water Resources Development Act of 1996 provides cost-sharing funding for some programs related to Everglades restoration. In particular, the Act authorizes the U.S. Army Corps of Engineers to move ahead with STA-1 East/C-51 West, C-111 land acquisition, construction and water quality improvement projects, and the Central and Southern Florida Project Restudy.

STA 1-East/C-51 West is the only ECP element that is federally funded. A major portion of the total estimated cost of \$210.7 million, or approximately \$190.2 million, will be born by the federal government. The remaining \$20.5 million is the local share.

The Florida Bay/Southern Everglades Restoration projects (Chapter 2) are comprised of the Modified Water Deliveries, C-111 South Dade Project, and Experimental Water Delivery Project. Each is an authorized project of the U.S. Army Corps of Engineers. Total estimated cost of these programs, expected to be complete by 2004, is approximately \$367 million.

Funding for the estimated \$7.8 billion Comprehensive Everglades Restoration Plan (CERP), formerly known as the C&SF Restudy (Chapter 10), will be shared equally between the federal government and local/state agencies. At this time, funding for the local share has not been determined, but the process to identify and evaluate various funding alternatives is on going (for more information, please refer to the District's website at <http://www.sfwmd.gov/org/pld/restudy/hpm/index.html>).

UNFUNDED ACT MANDATES TOTAL \$78 MILLION

In addition to the ECP, the Act requires has other significant mandates totaling approximately \$78 million through the year 2014, which are currently unfunded. These unfunded mandates include research, regulatory program development and implementation, exotic species control and other activities. Since the Act did not designate funding sources beyond the Everglades Construction Project, the District will rely almost exclusively on *ad valorem* funds to cover these mandates.